

## Message Text

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ACTION XMB-04

INFO OCT-01 ISO-00 EA-09 EB-07 COME-00 TRSE-00 OPIC-06  
AID-05 IGA-02 SSO-00 CIAE-00 INR-07 NSAE-00  
INRE-00 L-03 /044 W  
-----100935 181522Z /50/43

O 181045Z JUL 77  
FM AMEMBASSY BANGKOK  
TO SECSTATE WASHDC IMMEDIATE 4307

UNCLAS BANGKOK 15715

C O R R E C T E D C O P Y T E X T

DEPT. PASS EXIM AND OPIC IMMEDIATE

E.O. 11652: N/A  
TAGS: EFIN, TH  
SUBJ: SIAM KRAFT PAPER COMPANY

1. AMBASSADOR PROPOSES TO LEAVE THE FOLLOWING AIDE-MEMOIRE ON JULY 20 WITH THE FOREIGN MINISTRY RE THE SIAM KRAFT PAPER CASE:

2. BEGIN TEXT: THE EXPORT-IMPORT BANK OF THE UNITED STATES (EXIM) AND THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) ARE PRINCIPAL CREDITORS OF THE SIAM KRAFT PAPER COMPANY (SKPC), HOLDING ABOUT HALF OF THE COMPANY'S DEBT. THE RECENT COURT DECISION UPHOLDING THE MORE-THAN-60 MILLION BAHT FINE AGAINST SIAM KRAFT FOR EVASION OF CUSTOMS DUTIES IS, THEREFORE, A MATTER OF GREAT CONCERN TO THE U.S. GOVERNMENT BECAUSE OF THE THREAT THE FINE POSES TO THE COMPANY'S CONTINUED EXISTENCE AND TO THE RECOVERY OF MONEY DUE TO EXIM AND OPIC.

3. ACCORDING TO SIAM KRAFT OFFICIALS, PAYMENT OF THE FINE WITHIN THE 15-DAY PERIOD DIRECTED BY THE COURT WOULD SO UNDERMINE THE COMPANY'S WORKING CAPITAL THAT IT COULD NOT CONTINUE IN BUSINESS MORE THAN TWO MONTHS. EXIM AND OPIC CANNOT AND WILL NOT EXTEND  
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ADDITIONAL CREDIT TO THE COMPANY FOR THE PURPOSE OF PAYING THIS CRIPPLING FINE.

4. EXIM AND OPIC PLAYED KEY ROLES IN THE REORGANIZATION OF THE COMPANY A YEAR AGO. THE MANAGEMENT OF THE TWO AMERICAN FINANCIAL INSTITUTIONS COOPERATED FULLY IN STRETCHING OUT REPAYMENT OF DEBTS AND IN EXTENDING ADDITIONAL CREDITS TO SIAM KRAFT IN ORDER THE IT

COULD CONTINUE IN BUSINESS. BY PARTICIPATING IN THE REORGANIZATION, THE AMERICAN INSTITUTIONS WERE, OF COURSE, SEEKING TO PROTECT THEIR PREVIOUS COMMITMENTS IN SIAM DRAFT, BUT THEY WERE ALSO DESIROUS OF PREVENTING THE SERIOUS CONSEQUENCES FOR THE INVESTMENT CLIMATE IN THAILAND IF THE COMPANY FAILED. NOW IT APPEARS THAT ALL THE EFFORTS TO PRESERVE THE COMPANY WILL COME TO NAUGHT IF IT IS FORCED TO PAY THIS LARGE FINE WITHIN A PERIOD OF FIFTEEN DAYS FROM THE JUDGMENT HANDED DOWN ON JULY 11. IT WAS NOT EXIM'S AND OPIC'S INTENTION TO KEEP THE COMPANY ALIVE IN ORDER THAT THE GOVERNMENT COULD IMPOSE ON IT THIS ENORMOUS FINE.

5. THE ADVERSE CONSEQUENCES OF THE COLLAPSE OF THE COMPANY IN TERMS OF DISRUPTION TO THE MARKET, NEED TO IMPORT PAPER FROM ABROAD, LOSS OF JOBS, AND LARGE WRITE-OFFS OF DEBTS BY A NUMBER OF THAILAND'S LEADING BANKS ARE OBVIOUS. WHILE IT IS INAPPROPRIATE TO COMMENT ON THE DECISION OF A THAI COURT, THE IMPACT OF THE CASE ON INVESTMENT, BOTH THAI AND FOREIGN, COULD UNDO MUCH OF WHAT THE THAI GOVERNMENT IS DOING TO IMPROVE THE INVESTMENT CLIMATE. ALSO, SHOULD THE COMPANY GO OUT OF BUSINESS WITH CONSEQUENT LOSS TO EXIM AND OPIC, THOSE INSTITUTIONS WILL RECONSIDER THEIR ENTIRE LOAN AND INSURANCE PROGRAM IN THAILAND.

6. EXIM AND OPIC BELIEVE THAT THE THAI GOVERNMENT, WHICH PROSECUTED THIS CASE, SHOULD CONSIDER THE ANNULMENT OR SUBSTANTIAL REDUCTION OF THE FINE USING EITHER EXECUTIVE ACTION OR SPECIAL LEGISLATION. ALTERNATIVELY, THE EXECUTIVE BRANCH COULD GRANT COMPENSATORY TAX

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RELIEF TO THE COMPANY TO OFFSET THE PAYMENT OF THE FINE. OTHERWISE, WE HAVE SPECTACLE OF THE GOVERNMENT PRECIPITATING THE DEMISE OF A FINANCIALLY SICK COMPANY WHICH WOULD NOT BE OPERATING TODAY EXCEPT FOR THE GOOD WILL AND FOREBEARANCE OF ITS AMERICAN AND THAI CREDITORS.

7. THE U.S. EMBASSY, ACTING ON BEHALF OF EXIM AND OPIC, THEREFORE REQUESTS THAT THE ROYAL THAI GOVERNMENT CONSIDER AN ANNULMENT OR SUBSTANTIAL REDUCTION OF THE FINE OR COMPENSATORY TAX RELIEF IN ORDER TO ALLOW SIAM KRAFT TO CONTINUE OPERATIONS WITHOUT UNDERMINING OR DESTROYING THE POSITION OF ITS CREDITORS. END TEXT.

8. EMBASSY REQUESTS THAT EXIM AND CHANGES THEY DEEM NECESSARY. APPROVAL OF TEXT NEEDED BY JULY 19.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Executive Order:** N/A  
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**TAGS:** EFIN, TH, US, OPIC, SIAM KRAFT PAPER CO, XMB  
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**Review Markings:**  
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